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December 4, 2000

CONFIDENTIAL SETTLEMENT DOCUMENT**VIA FACSIMILE AND
OVERNIGHT COURIER SERVICE**

Ms. Penelope McDaniel (SFD-7-3)
U.S. Environmental Protection Agency
75 Hawthorne Street
San Francisco, CA 94105

Re: Good Faith Offer to Conduct Remedial Action, to Pay Past Costs, and to
Negotiate a Consent Decree for the Puente Valley Operable Unit of
The San Gabriel Valley Superfund Sites, Los Angeles County, California

Dear Ms. McDaniel:

This letter responds to the Special Notice Letter dated September 28, 2000, mailed by the U.S. Environmental Protection Agency ("EPA") to fifty-six (56) persons and entities regarding the Puente Valley Operable Unit ("PVOU"), and sets forth the good faith offer of the members of the Puente Valley Steering Committee ("PVSC") to perform remedial action, pay past costs, and negotiate a consent decree for the PVOU, as described below.

This offer is made on behalf of:

- The eleven (11) remaining PVSC members: Acorn Engineering Company; Aerosol Services Company, Inc./Walter, Howard, Sylvia and Nancy Lim; GOE Engineering Company, Inc.; C. Roy Herring/Lansco Die Casting, Inc.; Hexcel Corporation; Lucas Western, Inc./Eighth & Proctor Investment Company; Saltire Industrial, Inc.; Somitex Prints of California; TRW Inc.; Union Pacific Railroad Company; and Utility Trailer Manufacturing Company (the detailed information for each company, including the location of each company's property in the PVOU and contact personnel, is listed in Appendix A-1 attached to this letter); and

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- A number of former PVSC members and certain third parties with which the PVSC is in the process of finalizing cash-out agreements. Those parties are listed in Appendix A-2.¹

The group making this offer does not include several special notice recipients known to current PVSC members and to EPA to be significant contributors to the ground water contamination in the PVOU, including BDP/Carrier Corporation and Reuland Electric Company. These significant contributors, as well as certain other notice recipients, either have withdrawn from the PVSC or been removed for failure to accept their share of the PVSC's final allocation of liability, either in the form of an appropriate cash-out amount or a work party share, despite a yearlong formal mediation process during which many of the other PVOU parties reached agreement on settlement terms with the PVSC members. Other parties have refused to meet with or participate with the PVSC, such as Mitchell Rubber, A-1 Ornamental Iron and Whitcomb Plating, which also ignored EPA's special notice letter for the RI/FS in 1993. As explained later in this letter, we strongly believe that a substantial portion of both EPA's selected Interim Remedy and demand for past costs should be carved out and allocated to these recalcitrants.

Notwithstanding our inability to reach a reasonable settlement with these parties, the PVSC is prepared to go forward with EPA. Our offer is as follows:

1. The PVSC will design, construct, and implement the Interim Remedial Action for the Intermediate Zone described in the PVOU Record of Decision ("ROD"), dated September 30, 1998. The PVSC will also implement a substantial portion of the monitoring system identified by EPA in its draft Statement of Work (the "Draft SOW"), which was enclosed with the special notice letter. The PVSC's own draft Statement of Work (the "PVSC SOW") for the Remedial Design and Remedial Action for the Intermediate Zone Remedy, which follows the general format of the Draft SOW, is attached as Appendix B to this letter. Based on discussions with San Gabriel Valley Water Company ("SGVWC") representatives, the PVSC anticipates using one or more production wells in the B-7 Well Field Area as part of the Intermediate Zone extraction and containment system. The PVSC SOW, therefore, is drafted based on the expectation that those discussions will lead to a final agreement with SGVWC. If that prospect should not be realized, the PVSC SOW will have to be modified. To the extent feasible and appropriate, the PVSC SOW includes the requirements specified in the Draft SOW. However, several substantive changes were made.

1.1. All references to the Shallow Zone remedy have been deleted, including any design, construction, or compliance monitoring thereof. The PVSC has also deleted Figure 1 and Attachment 2 of the Draft SOW, both of which partially addressed the post-RI/FS work that the PVSC completed. As EPA is aware, the PVSC's pre-remedial design

¹ Because we have not yet finalized all of our cash-out agreements, it is possible that one or more of the parties in Appendix A-2 may drop out of settlement discussions. In that event, we will inform the EPA, and if necessary, the PVSC may need to adjust its commitment as appropriate. The PVSC has had exploratory discussions with certain other parties, not including Carrier, Reuland, Mitchell, A-1 Ornamental, or Whitcomb but it is too early to include any of these companies in this proposal.

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work also included the installation and sampling of 15 additional wells beyond those cited in Attachment 2 of the Draft SOW. Although the PVSC appreciates EPA's acknowledgement of the considerable post-RI/FS work performed by the PVSC, the majority of that work focused on the Shallow Zone, which is not directly pertinent to this good faith offer.

1.2. The PVSC SOW commits the PVSC to complete the installation of compliance monitoring wells, and long term monitoring thereof, for the Deep Zone. The PVSC acknowledges that such monitoring is necessary to demonstrate that implementation of the Intermediate Zone remedy serves to prevent vertical migration of contaminants. The PVSC SOW, however, explicitly states that any remedial actions that may be required in the Deep Zone in the future are not the responsibility of the PVSC.

1.3. As EPA indicated in discussions prior to issuing the ROD, the sentinel wells are discretionary. The PVSC agrees that such wells are a potentially useful component of the well network that will be developed to monitor and evaluate the Intermediate Zone Remedy, and anticipates proposing such wells for EPA's approval. However, since such wells are discretionary, the requirement to propose such wells is not included in the PVSC SOW.

1.4. The "Conceptual Design" and "Preliminary Design" phases, as contemplated by the Draft SOW, are incorporated into a single phase. As EPA is aware, the PVSC has already completed a considerable amount of the preliminary design work, and combining the two design phases should add efficiency to the RD process. Such adjustment should also reduce the time requirements for the RD.

1.5. The PVSC SOW allows the PVSC to deliver the Intermediate Zone remedy on a design/build basis or more conventional design/bid/build basis. The PVSC has made no decisions in this regard, but believes such flexibility should also increase the efficiency of the RD/RA process.

1.6. The PVSC SOW also identifies the need for additional pre-design data collection as the earliest task in the RD process. The scope of additional pre-design data collection requirements was preliminarily discussed with EPA representatives in the technical meetings of February 25 and April 14, 2000. This work would occur concurrently with the Compliance Monitoring Well installation task and the scope would be defined in detail in the Compliance Monitoring Well Network Plan, anticipated to be the first deliverable under the CD. The schedule for the PVSC SOW also calls for initiation of Conceptual/Preliminary Design upon completion of pre-design data collection, rather than at completion of the RD Work Plan.

1.7. The PVSC SOW commits the PVSC to provide final deliverables typically within 30 days of receipt of EPA comments on draft deliverables. Given the inherent complexity of the technical issues likely to be involved, and the need for careful review

by technical representatives, it would not be feasible to meet the 14-day turnaround periods contemplated by the Draft SOW.²

2. The PVSC members also incorporate as part of this good faith offer their October 2, 2000 offer to pay five million dollars towards the approximately twelve million dollars in basin-wide past costs which EPA has allocated to the PVOU by September, 2000. This offer was made at that time to take advantage of the EPA policy, which was about to expire, allowing PRPs to negotiate past costs based on accounting guidelines in effect before application of new requirements by the Federal Financial Management Improvement Act of 1996.³ We assume that the higher \$15 million demand in the September 28th special notice letter was calculated by applying the new guidelines and does not apply in our case. Our offer is also conditioned on our review to determine that EPA's documentation is appropriate and that the costs are properly allocable to the PVOU.

3. In return for its commitment to implement the RD and RA for the Intermediate Zone and its compliance well proposal, along with its payment of a significant portion of EPA's past cost claim, the PVSC expects to receive for its members, as well as those cash-out parties that have reached settlement with the PVSC and that sign the CD, the customary releases, covenants not to sue, and contribution protection. The cash-out parties would have no work obligations or other liability for implementation of the PVSC SOW.

We believe that this offer is fair and reasonable. Based on the allocations of liability for PVOU PRPs set out in the document entitled "EPA's Methodology for Allocation Percentages to the ECOS Parties - Database Update of August 2000," we calculate that the PVSC members and the cash-out parties listed in Appendix A-2 represent roughly 32% of the liability in the PVOU based on their collective proportional contributions to groundwater contamination in the PVOU. Using the alternative mass/volume model the PVSC developed for EPA's consideration, this group collectively would represent a slightly higher share of 37%. Stated another way, parties representing between 63% to 68% of the liability within the PVOU are not participating in this offer. Numerous other allocation models and formulas developed by individual PVSC members result in collective allocation percentages for this group consistent with the foregoing figures.

The amount and value of the work and past cost payment proposed in this offer significantly exceeds this group's proportionate share of liability. By our calculations, using the cost estimates in the Feasibility Report, the PVSC offer in this letter comprises approximately 61% of the remedial work that needs to be performed for the PVOU Interim Remedy. We note further that our work proposal addresses substantially all of the threat to groundwater that is being used currently for drinking water supply.

² With respect to the last two schedule changes noted above, the PVSC has modified the written text of Section V of the SOW and has provided a graphical critical path schedule for completion of all Intermediate Zone RD and RA activities.

³ The oral offer was documented in a letter sent to Brett Moffatt by Robert M. Walter on October 5, 2000, on behalf of the Puente Valley Tier A parties, which are the same parties as the PVSC members making this good faith offer.

Additionally, we note that the remaining remedial action components of the Interim Remedy, namely the Shallow Zone remediation and the monitoring requirements not addressed by the PVSC offer, are particularly appropriate stand-alone components. From early in the RI/FS process, we viewed the prospective Interim Remedy as inherently divisible, with separate treatment systems for the Intermediate and Shallow Zones. The PVSC's SOW provides that water extracted from the intermediate zone, following treatment, will be mixed with other potable water and delivered to local consumers. As EPA is aware, the high TDS and nitrate levels in the shallow zone groundwater preclude similar treatment for that groundwater, which would therefore have to be treated in a separate system even if one PRP group were performing all components of the PVOU remedy. Assigning responsibility for the Shallow Zone component to the non-PVSC parties, such as Carrier and Reuland, would therefore not entail any additional or artificial duplication of treatment systems or other efforts.

Carving out a work component for Carrier to perform is also highly appropriate. EPA has previously acknowledged that Carrier is a major PVOU PRP. In its May 16, 2000 letter to the President of Carrier Corp., EPA announced that it expected "Carrier to make a significant contribution to the remedial action and the resolution for EPA's claim for costs incurred." Information developed by the current members of the PVSC indicates that the volume and mass of alleged contributions from other facilities within the PVOU are minimal compared to Carrier's history of releases, including its alleged single large (8,000 to 20,000 gallon) release of PCE. Additionally, Carrier's operations have contributed, and will continue to contribute, substantially to the Chemicals of Concern ("COCs") in the Shallow and Intermediate Zones, both at its site and downgradient all the way to the mouth of the Valley where the Interim Remedy treatment systems will be located.

Carrier has not disclosed its reasoning behind its decisions not to strike an agreement or to make a good faith offer with the PVSC. The company may believe that EPA will leave them alone and that it can obtain a better deal from the PVSC in the future. It may also judge that it can obtain a better result in future private party CERCLA litigation, where prevailing judicial interpretation limits the PVSC members to a contribution claim. Or, Carrier may hope that they can persuade EPA to issue a unilateral administrative order to all parties, so that they can gain leverage in negotiating an allocation share with the PVSC members. Regardless of its motivation, the lack of Carrier's participation with the PVSC in making a good faith offer justifies EPA's taking the step it committed to take in its May 16th letter. The Agency should issue "a UAO to Carrier to perform a substantial amount of the remedial action." There is no question in our minds that such a carve-out unilateral order is necessary, either as a means to force Carrier back to the negotiating table with the PVSC or to assign it a fair share of its responsibility for the Interim Remedy.

In contrast to the position taken by recalcitrants, the PVSC members intend to continue to cooperate with EPA and to implement expeditiously the primary aspects of the Interim Remedy. We hope you agree that this offer to perform over 60% of the remedial work, and the most important work from the standpoint of protection of drinking water resources, is an exceptional proposal from a group representing less than 40% of the proportionate liability for the PVOU. All of the PVSC members, many of which are small companies or individuals, are prepared to bear the considerable costs in time and money that will be required to implement our

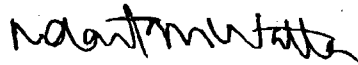
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proposal. All of the PVSC members are also ready to begin negotiating a consent decree to incorporate the proposal as soon as the Agency is ready.

We wish to emphasize one final point about our proposal. As repeatedly stated in prior meetings with EPA, the PVSC categorically is not prepared to perform the entire Interim Remedy for the PVOU and then to seek contribution from the recalcitrant PRPs. The costs and uncertainties associated with that process under current judicial interpretations alone make that approach unacceptable. EPA has far superior authority and enforcement tools to compel recalcitrant parties to bear a fair and reasonable share of the Interim Remedy and past costs. Contribution litigation by settling PRPs, who will not have the government's favorable burden and standards of proof, is extremely expensive and lengthy. Such a course of action, we believe, clearly would reward the recalcitrant parties while penalizing the PVSC members who have been willing to perform a number of pre-RD tasks voluntarily to promote the cleanup of contaminated groundwater in the PVOU, and thus runs counter to the public policy of rewarding and encouraging voluntary participation.

We look forward to your response. As we have stated previously, we are prepared to negotiate a final, approvable version of a consent decree by March 31, 2001. To that end, our group is prepared to begin face-to-face discussions with EPA as soon as possible. And, assuming that our offer is an acceptable basis for those negotiations, the PVSC also stands ready to discuss possible early actions the PVSC could take during the consent decree negotiations.

Respectfully submitted,



Robert M. Walter, Chair
Puente Valley Steering Committee

CC: Brett P. Moffatt, Esq.

APPENDIX A-1

"TIER A" MEMBERS & RELATED PARTIES		FOR PROPERTY LOCATED AT	CONTACT
1.	Acorn Engineering Company	15125 Proctor Avenue City of Industry	Tom Riggs 15125 Proctor Avenue City of Industry, CA 91746 (626) 855-4878
2.	Aerosol Services Company, Inc. / Walter, Howard, Silvia and Nancy Lim	425 S. 9 th Avenue City of Industry	Howard Lim 1411 Circle Drive San Marino, CA 91108 (626) 796-9947
3.	GOE Engineering Company	250 S. 9 th Avenue City of Industry	Daniel Romano 11661 San Vicente Blvd., Suite 802 Los Angeles, CA 90049 (310) 207-2172
4.	C. Roy Herring / Lansco Die Casting, Inc. <i>individually and as trustee of the Miriam Herring Trust</i>	711 S. Stimson Avenue City of Industry	Charles H. Pomeroy McKenna & Cuneo, L.L.P. 444 S. Flower Street, 8 th Floor Los Angeles, CA 90071-2901 (213) 243-6256
5.	Hexcel Corporation	140 N. Orange Avenue City of Industry	Susan Shamway, Esq. Shamway & Spencer, LLC One Post Road Fairfield, CT 06430 (203) 255-7444
6.	Lucas Western, Inc. / Eighth & Proctor Investment Co.	14724 E. Proctor Avenue City of Industry	Christian Volz, Esq. McKenna & Cuneo, L.L.P. Steuart Street Tower One Market Plaza San Francisco, CA 94105 (415) 267-4108
7.	Saltire Industrial, Inc. <i>on behalf of the former Ajax Hardware Division of Scovill, Inc.</i>	825 Ajax Avenue City of Industry	Nicholas B. Bauer Saltire Industrial, Inc. 800 Third Avenue, 24 th Floor New York, NY 10022 (212) 750-0200
8.	Somitex Prints of California, Inc.	17355 Railroad Street City of Industry	John J. Allen Sonnenschein, Nath & Rosenthal 601 S. Figueroa Street Los Angeles, CA 90017-5904
9.	TRW Inc.	200 S. Turnbull Canyon Road City of Industry 18301 E. Arenth Avenue City of Industry	Robert M. Walter, Esq. TRW Office of Counsel 1900 Richmond Road Cleveland, OH 44124 (213) 291-7477
10.	Union Pacific Railroad Company	659 S. Stimson Avenue City of Industry 17525 Arenth Avenue City of Industry	Patricia M. O'Toole The O'Toole Law Firm 601 S. Figueroa Street, Suite 4100 Los Angeles, CA 90017

"TIER A" MEMBERS & RELATED PARTIES		FOR PROPERTY LOCATED AT	CONTACT
11.	Utility Trailer Manufacturing Company	17300 E. Chestnut Street City of Industry 91748	John Stanton 17295 E. Railroad Street City of Industry, CA 91748 (626) 965-1541

APPENDIX A-2

As indicated in the PVSC's Good Faith Offer letter, the PVSC has reached agreements in principle for cash-out settlements with one or more parties that have been alleged to be responsible for releases of hazardous substances from thirteen facilities in the PVOU. For several of these thirteen facilities, two or more parties have been identified by EPA as responsible. Although all parties named by EPA at each facility are identified on the following list, it is possible that not all such parties will be participants in the pending settlements with the PVSC.

Individual party contacts are not included in this list because that would be premature pending final settlements between the listed parties and the PVSC, and pending resolution of "multiple-party" ambiguities in some cases as noted above.

PARTIES THAT HAVE REACHED "CASH-OUT" SETTLEMENTS WITH "TIER A"		FOR PROPERTY LOCATED AT
1.	Adams & Campbell Company / MBH Investments	15343 Proctor Avenue City of Industry
2.	Spectrol Electronics / Bixby Ranch Company	17070 E. Gale Avenue City of Industry
3.	Champion Parts / Lois Kipling / Maremont Corporation / Soto Assoc.	825 Lawson Street City of Industry
4.	Ecoff Family Trust / Adams & Coltrin, Inc.	17788 E. Rowland Street City of Industry
5.	ITT Industries, Inc.	900 S. Turnbull Canyon Road City of Industry
6.	M-Bro Corp. / Solo Enterprises / Mujica Family Trust	212 and 220 N. California Avenue City of Industry
7.	Oakite Products, Inc.	544 S. Sixth Avenue City of Industry
8.	Saint-Gobain Corporation / Calmar Corporation	333 Turnbull Canyon Road City of Industry
9.	Dexter Corporation	15051 East Don Julian Road City of Industry
10.	Masonite Corporation	200 Mason Way City of Industry
11.	Crompton Corporation / CK Witco Corp.	14755 E. Salt Lake Avenue City of Industry
12.	RREEF West VI, Inc.	17475 Gale Avenue City of Industry
13.	Physicians Formula Cosmetics Company	230/250 S. Ninth Avenue City of Industry